

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4739-01
Bill No.: HB 1306
Subject: Labor and Management
Type: Original
Date: January 24, 2014

Bill Summary: This proposal would change the prevailing wage law.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Conservation Commission	More than \$100,000	More than \$100,000	More than \$100,000
Total Estimated Net Effect on <u>Other</u> State Funds	More than \$100,000	More than \$100,000	More than \$100,000

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	More than \$100,000	More than \$100,000	More than \$100,000

FISCAL ANALYSIS

ASSUMPTION

Officials from the **City of Columbia** stated the changes in this proposal appear to provide a more uniform means of calculating the rate. As the prevailing wage is calculated annually, there is always some impact to the city whether positive or negative. Impact would depend on the wage calculated and the number of project we have in progress.

Officials from the **City of Kansas City (City)** assume there would be no increase in revenues or costs related to this proposal.

City officials assume their organization would experience an unknown amount of savings from the passage this bill. The potential savings stem from the removal of "maintenance work" and other categories from the types of work that qualify for prevailing wage. City contracts for these categories of work would likely be at a lower cost to the City if the prevailing wage is not paid by the contractor to its employees. Additionally, there may be savings in staff time, as this proposal would reduce the types of contracts on which staff would be required to spend time investigating prevailing wage compliance and enforcing prevailing wage violations.

Any potential savings would likely be offset by a reduction in liquidated damages that are collected for prevailing wage violations related to the types of contracts this proposal would exempt from the prevailing wage requirement.

City officials also assume their organization could experience a loss in earnings tax collections, since those collections are directly related to income earned. If the implementation of the proposal would result in lower wages than is currently the case, the potential loss would be 1% of the difference between the current prevailing wage and whatever new wage is paid.

In response to a similar proposal in the previous session (HB 453, LR 1295-01) officials from the **Department of Conservation** assumed the proposal had the potential to reduce contracted construction expenditures in the amount of \$100,000 or more per year because it would significantly reduce the type and number of projects that would require payment of prevailing wage.

ASSUMPTION (continued)

Officials from the **Office of Administration - Divisions of Budget and Planning, Facilities Management, Design, and Construction, Personnel, and Purchasing**, the **Department of Economic Development - Division of Workforce Development**, the **Department of Labor and Industrial Relations**, and the **St. Louis County Directors of Elections** assume this proposal would have no fiscal impact on their organizations.

Officials from the following counties: Andrew, Audrain, Barry, Bates, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, St. Charles, St. Louis, St. Francois, Taney, Warren, Wayne and Worth did not respond to our request for information.

Officials from the following cities: Ashland, Belton, Bernie, Bonne Terre, Boonville, California, Cape Girardeau, Clayton, Dardenne Prairie, Excelsior Springs, Florissant, Frontenac, Fulton, Gladstone, Grandview, Harrisonville, Independence, Jefferson City, Joplin, Kearney, Knob Noster, Ladue, Lake Ozark, Lebanon, Lee Summit, Liberty, Louisiana, Maryland Heights, Maryville, Mexico, Monett, Neosho, O'Fallon, Pacific, Peculiar, Popular Bluff, Raytown, Republic, Richmond, Rolla, Sedalia, Springfield, St. Charles, St. Joseph, St. Louis, St. Robert, Sugar Creek, Sullivan, Warrensburg, Warrenton, Webb City, Weldon Spring and West Plains did not respond to our request for information.

Oversight assumes this proposal would make technical changes to the way the Department of Labor and Industrial Relations calculates the prevailing wage rates for public works projects. These changes would reduce the cost of certain projects, particularly in smaller counties and cities.

For fiscal note purposes, **Oversight** will assume the changes would result in cost savings greater than \$100,000 per year for the Conservation Commission Fund and for local governments.

FISCAL IMPACT - State Government

FY 2015
(10 Mo.)

FY 2016

FY 2017

**CONSERVATION COMMISSION
FUND**

Savings - Department of Conservation -
changes to prevailing wage definitions

More than
\$100,000

More than
\$100,000

More than
\$100,000

**ESTIMATED NET EFFECT ON
CONSERVATION COMMISSION
FUND**

**More than
\$100,000**

**More than
\$100,000**

**More than
\$100,000**

FISCAL IMPACT - Local Government

FY 2015
(10 Mo.)

FY 2016

FY 2017

LOCAL GOVERNMENTS

Savings - Local governments
changes to prevailing wage definitions

More than
\$100,000

More than
\$100,000

More than
\$100,000

**ESTIMATED NET EFFECT ON
LOCAL GOVERNMENTS**

**More than
\$100,000**

**More than
\$100,000**

**More than
\$100,000**

FISCAL IMPACT - Small Business

Small businesses that no longer receive prevailing wage could be impacted.

FISCAL DESCRIPTION

This proposal would revise the definition of “construction” as it relates to prevailing wages on public works projects by removing improvements, alterations, or major repairs, and would specify that it does not include maintenance work. Currently, the definition includes construction, reconstruction, improvement, enlargement, alteration, painting and decorating, or major repair.

The proposal would also revise the definition of “maintenance work” to include repairs that restore existing facilities to a previous state or condition, improve the utility, or enhance the appearance of an existing facility provided that the size, type, or extent of the existing facility is not changed. Maintenance work would not include any work that exceeds the replacement cost of an existing facility.

The proposal would also change the way the Department of Labor and Industrial Relations determines the prevailing hourly rate of wages on public work projects.

For the City of St. Louis and the counties of Cass, Clay, Franklin, Jackson, Jefferson, Lincoln, St. Charles, and St. Louis, the prevailing hourly rate of wages would continue to be determined by consideration of the applicable wage rates established by collective bargaining agreements, if any, and the rates paid generally within those counties and city. The applicable wage rates paid by members of a tax-exempt trade organization as defined in the bill could also be considered.

For all other counties, the prevailing hourly rate of wages would be the state average weekly wage as determined annually by the department for each occupational title within the locality.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration

Division of Budget and Planning

Division of Facilities Management, Design, and Construction

Division of Personnel

Division of Purchasing

Department of Economic Development

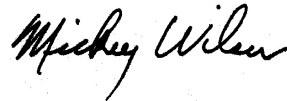
Division of Workforce Development

Department of Labor and Industrial Relations

City of Columbia

City of Kansas City

St. Louis County Directors of Elections



Mickey Wilson, CPA
Director
January 24, 2014

Ross Strobe
Assistant Director
January 24, 2014